



Secretary of Transportation  
South Carolina Department of Transportation

June 26, 2009

The Honorable Lindsey Graham  
United States Senate  
290 Russell Senate Office Building  
Washington, DC 20510

RE: Transportation Reauthorization Issues

Dear Senator ~~Graham~~: *Andy*

America has many transportation challenges. I am pleased that you represent our state and are helping with reauthorization. It is vital that the South Carolina Congressional Delegation be fully informed of the issues we consider most important to the future of transportation in the Palmetto State. The purpose of this letter is to outline the major issues that are important to our state and to suggest that we schedule a meeting in DC in July to review these items and other issues in person.

**Minimum Guarantee/Equity Bonus:**

This is commonly referred to as the "Donor State" issue. We must preserve or enhance the 92% minimum rate of return in the highway account of the Highway Trust Fund. Under current law (SAFETEA-LU), the "Equity Bonus" is intended to ensure that all states get at least 92% back in highway funds from the motor fuel taxes sent to Washington. The real number is about 88% because this rate of return is not guaranteed on all highway programs. We are now subsidizing the rest of the country at the rate of about \$100,000,000 per year. We believe that a minimum guaranteed rate of return should apply to all highway programs and the rate should be increased above the current 92% floor.

For Mass Transit programs, there is no "Equity Bonus." In fact, South Carolina receives less than fifty cents on the dollar for revenues collected here and sent to Washington. If an additional fifteen percent of the nation's highway funds are shifted to the Mass Transit account, as provided in the Oberstar/Mica Transportation Reauthorization bill, our state will become a greater donor than it is now. This means that we will subsidize the recipient states to the tune of \$635,000,000 over the next six years under the current formula. We believe that this shift of 15% (an additional 2.2¢ per gallon) is not in the best interest of South Carolina where most of our surface transportation needs continue to be with highway capacity and system preservation. We also believe that a minimum guarantee is needed in the Mass Transit funding formula.

### **Earmarks**

Much progress has been made in the selection process. Unlike past years, the earmarks we are seeing now are based on established priorities. This allows us to leverage formula dollars and put funding where it is needed. But, in the big scheme of things, earmarks have been a losing proposition for South Carolina. They are exempt from the Equity Bonus and we historically have not gotten a fair share. In fact, the SAFETEA-LU earmarks resulted in a \$180,000,000 loss between what we would have received by formula and what we actually received in earmarks. We believe that there should be a minimum guaranteed rate of return on earmarks and that the overall amount of funds earmarked should not exceed 5% of the total dollars authorized under the new bill.

### **Solvency of the Highway Trust Fund**

It is my understanding that the Administration has suggested an 18-month interim transportation bill funded with current revenue sources. According to our calculations, the current revenues are about 20% below the authorized spending levels. This means that South Carolina would experience a decrease of about \$150,000,000 during the proposed 18-month period. To help put this in perspective, it is important to point out that the Construction Cost Index in South Carolina has grown nearly 60% in the last decade. We are fighting a losing battle and the sooner the federal program is made solvent, the better off the country will be. We urge the delegation to work to protect the solvency of the Highway Trust Fund.

### **Size of the Program**

The Oberstar/Mica bill calls for a 57% increase in transportation funding, plus the creation of a national transportation infrastructure bank. This sounds like a big increase, but it is actually less than the amount needed to account for inflation since the enactment of TEA-21 in 1996. We agree that the overall funding level needs to grow substantially to meet the nation's pressing surface transportation needs, but we would urge you to support this growth only if South Carolina is ensured to get a fair rate of return from the tax revenues we send to Washington.

### **High Speed Rail (HSR)**

There are two congressionally designated HSR corridors in South Carolina. These corridors are nationally significant and, while helpful for intra-state transportation in a limited sense, would be used primarily for the inter-state movement of passengers. We cannot move forward without substantial federal assistance. The Oberstar/Mica bill creates HSR funding through the infrastructure bank. We urge you to seek equity in the distribution of federal HSR funds.

### **Budgetary Firewalls**

Most people consider motor fuel taxes to be "user fees." Hence, federal budgetary firewalls have been created to protect those fees from being diverted. The Administration's proposed 2010 Appropriations would have placed a portion of the highway funding under "budget authority" rather than "contract authority." This would create a "use it or lose it" approach to highway funding that does not work well with multi-year planning as in the case of transportation programs. Transportation funding must be predictable and dependable. We urge you to protect the firewalls and support the continued "contract authority" approach to highway funding.

**Interstate Construction Toll Pilot Program**

The Oberstar/Mica bill eliminates several pilot programs, including the Interstate System Construction Toll Pilot Program. Under SAFETEA-LU, South Carolina was one of three states authorized to establish a pilot program to use tolls as a source of funding for a new Interstate (federal law typically does not allow the tolling of Interstates). This pilot program is integral to the planning of I-73. In fact, it may be considered the cornerstone of the eventual financing of that project. It is important that the authority to toll I-73 be preserved under the authorization act.

**Corridors of National Significance; Interstate Construction**

Congress has designated fifteen new Interstate Highways across America in the last 25 years. Unfortunately, these federal projects have been stymied by a lack of federal funding. Two of these projects are located in South Carolina (I-73 and I-74). The Oberstar/Mica bill substantially increases funding for Projects of National Significance program, but there is no guarantee that our projects will receive funding. As it should be, these dollars are outside the regular funding formula. We would welcome this funding even if it required a higher match than the traditional 90/10 formula created in 1956. We encourage our delegation to work to secure Interstate funding for South Carolina.

**Flexibility**

All state highway systems and Mass Transit programs are not created equally. We encourage you to promote greater flexibility within each of these two programs.

There are several other items of interest or concern that I would like to discuss with you in person. For example, we are supportive of the Oberstar/Mica proposal for toll interoperability if it is done in a cost effective manner. Another concern we have is with the administrative requirements placed on local public agencies when administering small federal-aid projects such as Transportation Enhancements and Scenic Byway grants. Perhaps all projects under \$1,000,000 should be allowed to follow local procurement and construction standards rather than Title 23 requirements.

Please let me know if you have any questions or comments, or if you need any clarifications. You may contact me directly at (803) 737-1302. Otherwise, my office will be contacting you in the near future to set up a meeting to discuss the items outlined above.

Sincerely,



H. B. Limehouse Jr.  
Secretary of Transportation

HBL:mdc

cc: Debra Rountree, Deputy Secretary for Finance & Administration  
Michael Covington, Director of Administration